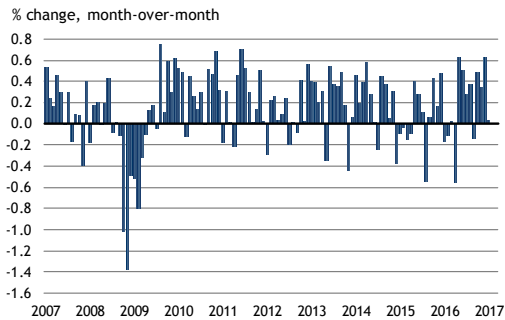


CURRENT TRENDS UPDATE – CANADA

Update - May 19, 2017

Overview and highlights

Real GDP



Source: Statistics Canada

- ▲ February’s flat monthly reading belied an acceleration in the annual pace of growth with real GDP output up 2.49% compared to a year earlier.
- ▲ Canadian employment up again in April but wages continue to underperform.
- ▲ The 1.2% jump in March retail sale volumes marked a third consecutive monthly increase — and eighth out of the last nine— to polish off a strong first quarter spending gain.
- ▲ Housing starts fell to still-strong 214k annualized units in April from a five-year high of 252k in March.
- ▲ Canadian March merchandise trade deficit unexpectedly shrinks to \$0.1B.
- ▲ The year-over-year rate of headline CPI inflation was unchanged at 1.6% in April.

Canadian GDP unchanged in February following a 0.6% jump in January

Latest available: February
Release date: April 28, 2017

February’s flat monthly reading belied an acceleration in the annual pace of growth with real GDP output up 2.49% compared to a year earlier. This was the fastest pace of increase since July 2014 and reflects the recovery in the goods-producing sector. Mining production was up 6.4% in line with the recovery in commodity prices, which represents a marked turnaround after two years of decline. Growth in service-producing industries was steadier over the last two years though accelerated slightly in February. This broad based strengthening pumped the annual growth in overall GDP higher in February relative to January’s 2.29% pace. This report confirmed that the economy continued to grow faster than the Bank of Canada’s current estimate of potential of 1.3% for the past six months.

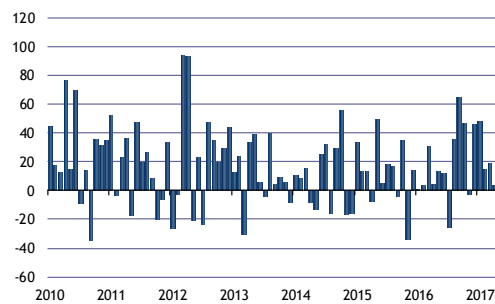
Economy at a glance

	Lastest month	% change from	
		Previous month	Year ago
Real GDP	Feb	0.0	2.5
Industrial production	Feb	-0.4	3.9
Employment	Apr	0.0	1.5
Unemployment rate*	Apr	6.5	7.1
Manufacturing			
Production	Feb	-0.6	2.6
Employment	Apr	0.0	0.8
Shipments	Mar	1.0	8.2
New orders	Mar	2.6	17.6
Inventories	Mar	1.2	4.0
Retail sales	Mar	0.7	6.9
Car sales	Mar	3.1	7.3
Housing starts (000s)*	Apr	213.1	188.6
Exports	Mar	3.8	12.9
Imports	Mar	1.7	5.6
Trade balance (\$billions)*	Mar	-0.1	-3.0
Consumer prices	Apr	0.4	1.6

* Levels are shown for the latest period and the same period a year earlier.

Employment

Change in thousands, month-over-month



Source: Statistics Canada

Unemployment rate

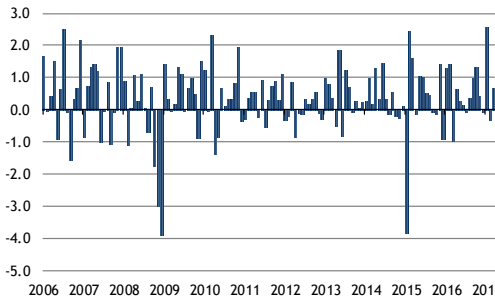
% of labour force



Source: Statistics Canada

Retail sales

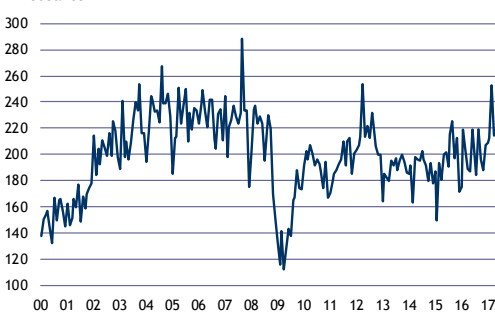
% change, month-over-month



Source: Statistics Canada

Housing starts

Thousands



Source: Canadian Mortgage and Housing Corporation

Canadian employment up again in April but wages continue to underperform

Latest available: April

Release date: May 5, 2017

The headline employment gain was modest in April (a negligible 3k in a monthly survey with very wide confidence bands around spot monthly estimates); however, the tick higher is nonetheless notable in that it continues an unusual streak of positive monthly readings. Employment has now increased in 15 of the last 17 months with growth over the last year averaging a solid 23k per month. The details of the monthly report for April were mixed (with a sharp pull-back in full-time jobs offset by stronger part-time employment) but, on average, more than two-thirds of job gains over the last year have been of the full-time variety.

Canadian retail sales up again in March

Latest available: March

Release date: May 19, 2017

The 1.2% jump in March retail sale volumes marked a third consecutive monthly increase — and eighth out of the last nine— to polish off a strong first quarter spending gain. Sale volumes in Q1/17 were up 8% from Q4 (at an annualized rate), somewhat surprisingly building on a 7.5% increase in Q4. Nominal retail sales rose 0.7%, led by a 3.2% increase in motor vehicle sales with partial offset from lower food sales and a price-led drop in gasoline station receipts. Sales volumes jumped a stronger 1.2% following an upwardly revised 0.2% gain (was a 0.1% decline) in February. ‘E-commerce’ sales, not all of which are included in the headline retail sales numbers, surged 43% from a year ago, easily outpacing the increase in retail sales.

Canadian housing starts maintained momentum in April, but will it last?

Latest available: April

Release date: May 8, 2017

Housing starts fell to still-strong 214k annualized units in April from a five-year high of 252k in March. Both urban multi-unit and single-unit starts came off of multi-year highs but remained above their recent trend. The pullback in urban starts was broadly-based with Ontario, Quebec and the Prairies all recording declines in April. Those regions, led by Ontario, have accounted for the substantial increase in year-to-date housing starts relative to April 2016. Building permits have been quite strong over the past six months; data for March will be released tomorrow.

Canadian March merchandise trade deficit unexpectedly shrinks to \$0.1B

Latest available: March
Release date: May 4, 2017

Though today's report indicated that the trade balance remained in a deficit position for a second consecutive month, the average shortfall over this period of \$0.6B is down sharply from the \$2.7B average deficit that prevailed over the same period a year ago. As well, these deficits over the last two months were preceded by three months of surpluses, which were the first since September 2014. The improvement in the trade balance is in large part the result of the nominal value of energy exports recovering helped by rising oil prices.

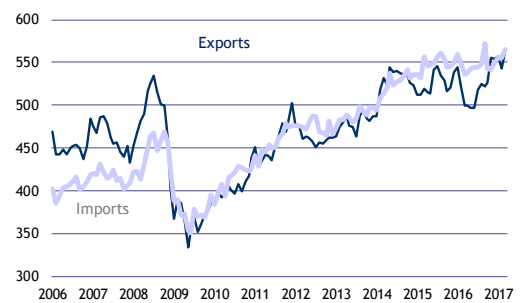
Canadian inflation rate steady in April; core rates edged lower

Latest available: April
Release date: May 19, 2017

The year-over-year rate of headline CPI inflation was unchanged at 1.6% in April. Expectations were for a modest rise to 1.7%, matching the Bank of Canada's Q2 forecast. Energy price inflation picked up slightly to 9.6% year-over-year as higher gasoline prices continued to put upward pressure on headline inflation. Food prices remained a source of downward pressure, though less so than in recent months as the most significant period of food price deflation in 25 years is gradually coming to a close. Prices excluding food and energy were up just 1.5% from last April, the slowest rate in nearly three years. The BoC's core measures averaged 1.4%, down from 1.5% in March. Both CPI-trim and CPI-median have fallen by 0.3 ppts since the start of the year while CPI-Common is little changed.

Merchandise trade

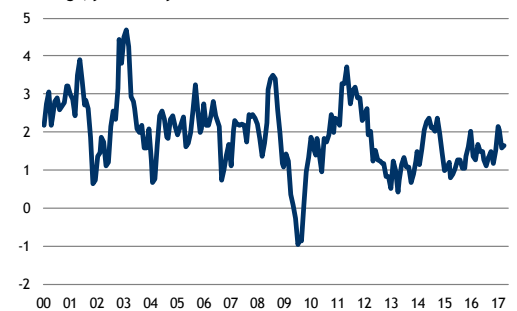
C\$ billions, annualized



Source: Statistics Canada

Consumer price index

% change, year-over-year



Source: Statistics Canada

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